IBISWorld

WHERE KNOWLEDGE IS POWER

Coming attraction: Renewed consumer spending and technology changes will drive demand

IBISWorld Industry Report 51213

Movie Theaters in the US

June 2011

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About this Industry

Industry Definition

This industry is made up of businesses that primarily exhibit movies. It includes cinemas, drive-in and open air movie theaters, and film festival exhibitors.

Main Activities

The primary activities of this industry are

Movie theater operation

Drive-in movie theater operation

The major products and services in this industry are

Action and adventure movies

Animated movies

Comedy movies

Concessions

Drama movies

Other movies

Similar Industries

51312 Television Broadcasting in the US
Companies in this industry operate studios and facilities that program and deliver audio-visual content to the public via over-the-air transmission

51321 Cable Networks in the US
Companies in this industry transmit movies to televisions through optical fibers or coaxial cables.

51411 News Syndicates in the US
This industry includes firms primarily engaged in supplying news reports, articles, pictures and features to the news media.

51913b Internet Publishing and Broadcasting in the US
This industry consists of organizations and individuals which publish or broadcast news, videos, images or written content exclusively over the internet.

51711b Satellite TV Providers in the US
Companies in this industry operate satellites, facilities and antennas that program and deliver audio-visual content to the public via satellite transmission

Additional Resources

For additional information on this industry

www.boxoffice.com
BoxOffice.com

www.mpaa.org
Motion Picture Association of America

About this Industry

Additional Resources continued

www.natoonline.org
National Association of Theatre Owners

www.hollywoodreporter.com
The Hollywood Reporter

www.variety.com
Variety

Industry at a Glance

Movie Theaters in 2011

Key Statistics Snapshot

Revenue	Annual Growth 06-11	Annual Growth 11-16
$12.6bn	0.8%	1.5%
Profit	**Wages**	**Businesses**
$543.7m	$1.3bn	1,896

Market Share

Regal Entertainment Group 23.5%

AMC Entertainment Inc. 20.0%

Cinemark Holdings Inc. 10.7%

p. 21

Key External Drivers

Upstream supply from movie and video production

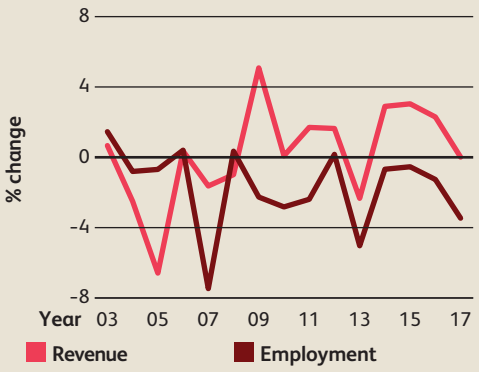
Per capita disposable income

Competition from TV broadcasting

Corporate profit

p. 5

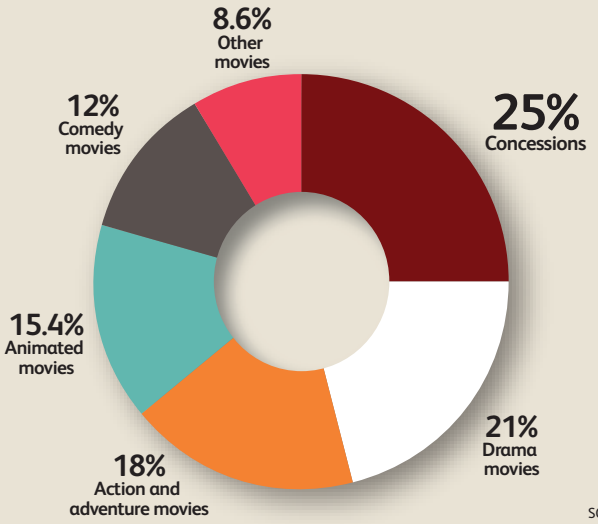
Revenue vs. employment growth



Movie and video production

SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2011)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Decline	Regulation Level	Light
Revenue Volatility	Medium	Technology Change	High
Capital Intensity	High	Barriers to Entry	High
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 29

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

A gradual recovery in business and consumer spending and the lagging recovery in unemployment continue to hinder demand for the Movie Theaters industry. Enhanced cinema experiences, like 3D, attract a steady audience, partly counterbalancing low spending. As a result, industry revenue is expected to grow at an average annualized rate of just 0.8% over the five years to 2011. This growth includes an increase of 1.7% from 2010 to 2011. IBISWorld anticipates that increasing prices will contribute to revenue of $12.6 billion in 2011.

> Movie theaters will invest in digital and 3D technologies, yielding higher profitability

The Movie Theaters industry competes with many video product viewing and access alternatives, including cable and satellite TV, iPods, cell phones and internet movie downloads to computers and game consoles. This competition is a major driver for investment in theaters, but it has also spurred some companies to declare bankruptcy or consolidate. Several major players have closed locations and made significant acquisitions, such as Regal Entertainment Group's purchase of some AMC Entertainment theaters and AMC's acquisition of Kerasotes ShowPlace Theaters.

Major operators are investing in digital screens, improved Dolby sound equipment and stadium seating. A string of 3D movie releases have supported these theater investments. Operators charge premium prices for 3D movies and offer an experience that most people cannot replicate at home. Industry profitability continues to improve as admission prices escalate and attendance rises. However, promotional discounting still prevails, since disposable incomes and consumer sentiment remain low. Profit in 2011 is expected to account for 4.3% of industry revenue, up from 3.8% in 2006.

In the five years to 2016, the industry will likely benefit from increasing personal disposable income that will stimulate consumer spending. During this time, revenue is projected to increase at an average annual rate of 1.5% to $13.6 billion in 2016. IBISWorld forecasts that companies will continue to invest in acquisitions and digital and 3D technologies, causing profit to slowly rise to about 4.6% of industry revenue in 2016.

Key External Drivers

Upstream supply from movie and video production

The industry is affected by the regular production of movies that interest the public. Successful films drive growth in movie attendance, causing box office revenue, high-margin confectionery and beverage sales and profit to rise substantially. This driver is expected to increase during 2011, representing a potential opportunity for the industry.

Per capita disposable income

Demand for movie attendance relies on changes in household disposable income, which is affected by movements in the rate of employment growth (or unemployment in times of subdued economic activity) and in tax and interest rates. As a discretionary item, consumers may defer or reduce moviegoing during difficult economic times, as they concentrate more on increasing their savings or repaying debt. This driver is expected to increase slowly during 2011.

Competition from TV broadcasting

The industry is affected by the increasing rate of penetration of

Industry Performance

Key External Drivers continued

households by cable and satellite TV and other entertainment-related household equipment. This equipment includes DVDs, video on demand, internet downloads, iPod and cell phone downloads and gaming consoles. This driver is expected to increase during 2011, reflecting a potential threat for the industry.

Corporate profit

Businesses that have extra cash on hand are more likely to engage in acquisition activity. On the other hand, during periods of low profitability, companies often consolidate, divest and otherwise streamline operations. This driver is expected to increase during 2011.

SOURCE: WWW.IBISWORLD.COM

Current Performance

The Movie Theaters industry is expected to continue on a slow growth path as disposable income, spending on movie production and corporate profit slowly recovers from the recession. IBISWorld estimates that revenue will grow at an annualized rate of 0.8% over the five years to 2011, including a rise of 1.7% to $12.6 billion from 2010 to 2011. In particular, the significant spike in unemployment adversely affects underlying demand for theater tickets and concessions (like food and drink) because consumers who were affected by job losses or pay cuts drastically reduced spending. The industry also contends with ongoing global movie piracy and rising competition from entertainment alternatives, especially better home theater systems, more TV options and expanded online content.

Theater owners are increasing ticket and concessions prices to support their investment in high-quality multiplex screening facilities. However, establishment numbers are continuing to decline because the industry has been adversely affected by the economic recession. The fall in consumer spending caused by the recession continues to adversely affect the industry. Industry performance also depends on the release of blockbuster movies and competition from substitutes. Such substitutes include TV, the internet (including video on demand), Blu-rays, live sporting events and many other entertainment options.

Industry Performance

Lower demand, yet higher profit

Subdued economic growth and high gas prices adversely affected growth in disposable income in the five years to 2011. These trends resulted in lower consumer expenditure on entertainment, which included movie tickets. Therefore, revenue grew slowly, despite significantly higher average ticket prices, as more consumers searched for coupons and bulk ticket deals, which larger companies were in a better position to provide. Profit has been on the rise since 2008, when companies increased the price of tickets and concessions to make up for slower attendance rates, which were caused by consumers going out less frequently during the recession. Profit is expected to improve further in 2011 as increasing disposable incomes stimulate consumer spending and industry players maintain high ticket and food prices. In 2011, IBISWorld estimates profit will represent 4.3% of revenue, totaling $543.0 million.

> Subdued economic growth and high gas prices hampered consumer spending on entertainment

Investment

The Movie Theaters industry has invested heavily in its infrastructure in the five years to 2011. Theaters experienced a decline in per-capita demand, so operators are aiming to provide a different experience than most people can recreate at home. For example, many movie theaters are converting their screening rooms to stadium-style seating. They are also investing heavily in additional luxuries for consumers that justify higher ticket prices, such as comfortable seats, extra vending machines or nicer bathrooms.

Additionally, the industry is replacing many of its screens in order to support digital technology, which enhances movie quality and facilitates distribution. Such retrofitting requires significant expenditure, which has also been pushed up by the sudden demand for 3D movies. These movies demand a specific kind of projection and screen system. In fact, many companies have invested in additional screens in their existing facilities to cut down on operating costs per screen and improve profitability. The number of screens are expected to increase at an average annual rate of 1.0% to 40,471 over the five years to 2011.

Major companies have formed investment ventures with each other and the movie production and distribution industries in order to dilute these significant costs. For example, Regal, AMC and Cinemark formed a joint venture in 2007 called Digital Cinema Implementation Partners (DCIP). DCIP has established a financing model between these theaters and several major movie studios to install digital projection and sound equipment in theaters. These theater companies also co-own National CineMedia, which organizes in-theater advertising, business meetings and non-feature content distribution.

Consolidation

Major consolidation occurred, which included AMC's acquisition of Kerasotes in late 2009. Also, AMC and Regal did some restructuring, with Regal purchasing and trading for some of AMC's theaters in 2010. Such changes helped these major players streamline operations by cutting down

Industry Performance

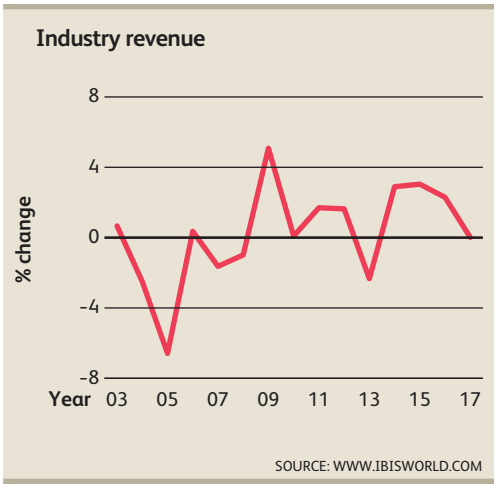
Consolidation continued

operating costs by focusing on serving specific subsets of the population. Furthermore, some smaller theaters could not compete because they were unable or unwilling to invest in new technologies or luxuries for consumers. When many businesses could not finance investments during the recession, theaters went out of business or were purchased. Because of closures over the past five years, establishment numbers are estimated to decline at an average annual rate of 4.5% to 4,014 locations in 2011.

Industry Outlook

Competition from digital media will place increasing pressure on the Movie Theaters industry. Over the five years to 2016, IBISWorld projects that revenue will rise at an average annual rate of 1.5%, including 1.6% year-on-year growth in 2012, to $13.6 billion in 2016. Economic conditions will improve from the depths of the recession in 2009, supporting disposable income growth. Yet, the industry faces continuing competition from other forms of entertainment, including streaming video. Furthermore, consumers now have a plethora of ways to access and view movies, including iPods, mobile phones, the internet and through emerging internet TV services such as video on demand (VOD).

Profitability is forecast to rise, but it will depend on the industry attaining high growth in attendance, ticket prices and high margin concession sales. The industry also faces significant costs, especially as it upgrades equipment and expands buildings to shift to digital screening technology. Major companies will likely achieve above average returns due to past and ongoing location consolidation. Profit is anticipated to make up 4.6% of industry revenue in 2016, which is up from 4.3% in 2011.



Consolidation

In 2012, IBISWorld anticipates that employment will rebound to support revenue growth. Consumers will likely return to spending money on discretionary purchases such as movie tickets and concessions. Other positives include the flow-on effects from low interest rates that will support movie production investment and movie theater upgrades.

IBISWorld forecasts that further consolidation among operators will occur as a direct result of improving economic conditions. Companies will likely improve their cash flow as banks resume lending, enabling mergers and acquisitions. Just as larger operators have streamlined operations to enhance their services and provide a luxury experience to consumers, smaller theaters will follow their lead. The number of establishments is projected to decline at an annualized rate of 2.9% over the five years to 2016 to total 3,466 movie theater locations.

Industry Performance

Increased competition

Over the next five years, the industry will contend with more intense competition from entertainment substitutes. More movies will be delivered to households via the internet, and increasing household penetration of digital cable, satellite and free-to-air TV services will occur. These services include interactive TV and VOD options such as new releases and extensive movie libraries. Competition from DVD players and recorders and home theater systems will also increase.

A shift in movie consumption will likely occur, as consumers opt to watch movies through steaming video, either on PCs and tablets or other mobile devices. Convenient access to movies will not directly compete with the movie theater experience, but it may adversely affect audience numbers as some viewers switch to a more convenient medium. These new technologies will likely aggravate issues with bootlegged content, especially since small devices with increasingly high-quality recording capabilities will be able to easily steal first-run movies.

> Competition will increase as studios and their affiliates opt for earlier releases of VOD

Competition will also likely increase as studios and their network affiliates opt for earlier releases of VOD. In late 2010, executives from Time Warner and Fox announced plans to shorten the time between movie theater debuts and VOD releases of their studios' movies. While the National Association of Theater Owners is working to prevent this approach from studios, it may be unsuccessful in the venture. Earlier releases of VOD would hurt revenue by providing content that is currently exclusively in theaters or illegal out on the market for people to purchase at home. It would also improve the quality of bootlegged content that movie theaters compete directly against by providing premium content in homes earlier than ever.

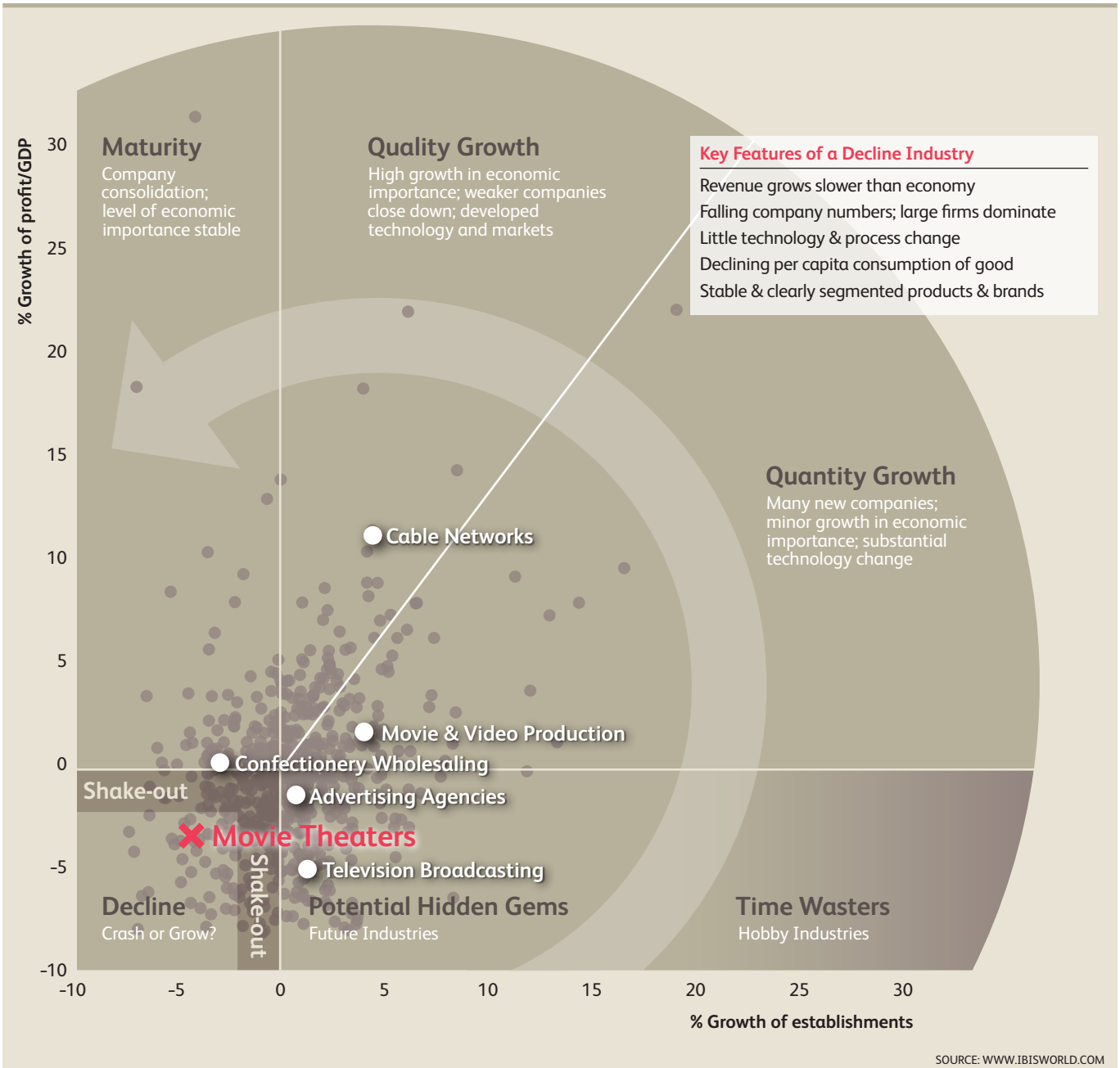
Industry Performance

Life Cycle Stage

Intense competition from existing and new in-home entertainment substitutes has slowed revenue growth

Increasing prices and low disposable income has hampered demand for tickets and concessions

Significant consolidation is causing a decline in industry players



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Declining**

Industry revenue has increased because of significant growth in ticket prices rather than increasing attendance. However, even this growth is expected to lag behind GDP growth, with industry value added growing at an annualized rate of 0.2% in the five years to 2011 and 1.3% through 2016. Meanwhile, GDP is anticipated to grow at an annualized rate of 1.0% and 2.7%, respectively. Shifts in technology and audience expectations for facilities are stimulating investment in facility retrofitting and upgrades, which will likely sustain growth in revenue at an annualized rate of 1.5% during the five years to 2016.

The industry is facing significant competition from internet-delivered movies and TV networks' VOD services that use digital technology. Competition from other sources of entertainment, like concerts and sporting events, is also continuing. Because of intense competition, industry companies are consolidating and divesting their businesses. The number of enterprises is expected to decline at an annualized rate of 2.2% to 1,896 businesses over the five years to 2011, and it is projected to fall further at an average annual rate of 0.7% to 1,828 companies in 2016. While consolidation continues, companies will close some locations, and the number of cinemas is forecast to decline at an annualized rate of 2.9% in the five years to 2016 to 3,466.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

54181 Advertising Agencies in the US
Advertising agencies demand cinema advertising.

99 Consumers in the US
Households are the largest consumers of movie theaters.

KEY SELLING INDUSTRIES

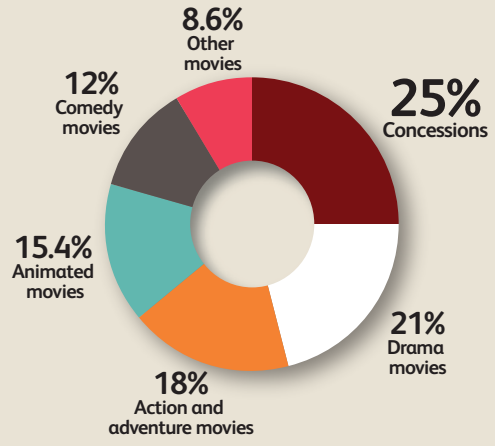
42245 Confectionery Wholesaling in the US
This industry supplies candy, ice cream, drinks and other concessions to movie theaters.

51211a Movie & Video Production in the US
This industry supplies movies for movie theaters.

51212 Movie & Video Distribution in the US
This industry distributes movies to movie theaters.

Products & Services

Products and services segmentation (2011)



Total $12.6bn

SOURCE: WWW.IBISWORLD.COM

Since 2006, the number of movie theater screens increased at an annualized rate of 1.7% from 38,415 to 40,471 screens in 2011. A trend emerged toward larger theater complexes with a higher number of screens. These theaters allow for economies of scale, with higher labor and capital productivity. Additionally, screen-seating capacity can be adjusted according to demand.

Some major operators have primary complexes with high admission prices and secondary budget theaters that screen movies after the initial season at primary complexes ends. On average, theaters are expected to earn about 25.0% of their revenue on concessions like food and drink, despite a drop in revenue from people cutting back discretionary spending during the recession. Price increases are enabling higher revenue from concessions as attendance remains steady.

Genres screened

Over the past five years, the variety of movies has stayed nearly constant across genres. Animated film production has increased, as the technology to produce them has risen in

Products & Markets

Products & Services continued

quality and fallen in price. This segment has increased from about 12.0% of movies shown in theaters in 2006 to 15.4% in 2011. It will likely continue to grow over the five years to 2016.

On the other hand, IBISWorld anticipates that fewer comedy movies will be released in 2011 than in previous years. This trend is the direct result of the genre's relatively poor performance in theaters and heavy reliance on big-name actors, which decreases profitability for producers and theaters alike. Over the five years to 2016, comedies are anticipated to rebound as a share of movies produced.

However, the action and adventure film segment will decline as more of that genre becomes animated. Drama movies make up the biggest segment and are not anticipated to change as a share of theater revenue over the five years to 2016. Other genres include horror and documentary. Additionally, 3D movies are becoming very popular, and theaters are expected to update about 20% of screens to be compatible with this format by 2011.

Demand Determinants

The two basic motivations are the moviegoing experience itself and demand for a particular movie. Demand involves price and non-price factors. The latter category includes customers' tastes and preferences, the stage of a movie's life cycle, the time of year, the screening times, income and demographics, as well as screening quality, and the comfort and location of the theater complex. The release of a series of movies in a new format, such as 3D, allows theaters to charge more for movies and increase revenue significantly. In general, theaters began installing 3-D capable auditoriums in 2009.

The highest frequency of attendance in the population occurs with the 18-to-24-year-old age group. However, there has been an audience profile shift, partly due to demographic changes, as the population ages. This factor has important implications on the types of movies that need to be produced and screened. Theaters need to ensure that the demands of this older age group are satisfied.

Economic conditions are important demand determinants and changes in consumer sentiment also have a significant effect on demand. Operators are particularly affected by changes in household disposable income, which is influenced by employment growth, tax and interest rate movements and high gas prices. The summer season accounts for about 40.0% of the industry's annual revenue, so there is a high level of seasonality.

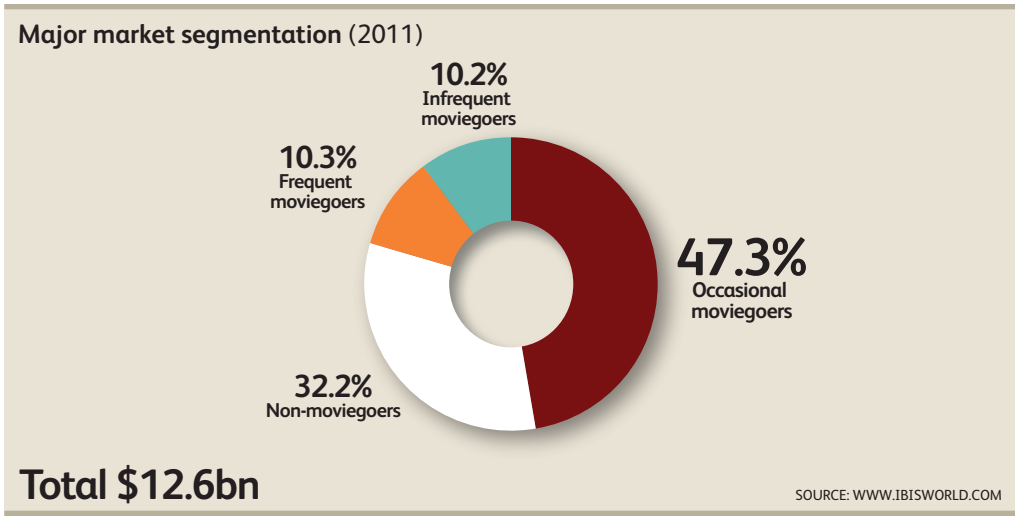
Major Markets

About 67.0% of Americans go to the movies at least once a year. The remaining 32.2% of people are likely to still watch movies in a different medium, such as online or on TV. While consumers who go only once a year make up about 10.2% of the population, 47.3% of people see a movie in theaters less than once a month. Individuals who go to the movies once a month or more are frequent moviegoers and make up 10.3% of the population. About 40% of frequent moviegoers are from 12 to 24 years old and 51% of teenagers indicate that they are frequent moviegoers, compared with 24% of adults.

Other demographic markers also can denote an individual's propensity to

Products & Markets

Major Markets continued



attend movie screenings. For instance, nearly one-third of parents with teenage children are frequent moviegoers. Also, adults who attended college go to the movies more frequently than those who are not college educated. Finally, males usually attend more movies than females.

International Trade

The industry primarily services the needs of the domestic market; however, three of the top six operators have purchased or developed theaters overseas, either solely or in joint venture arrangements with local companies. International locations that have these theaters include Spain, Turkey, Hungary, Latin America, Japan and Canada. However, companies such as AMC have divested from international operations as they acquired a larger share of the domestic market during the past five years.

Products & Markets

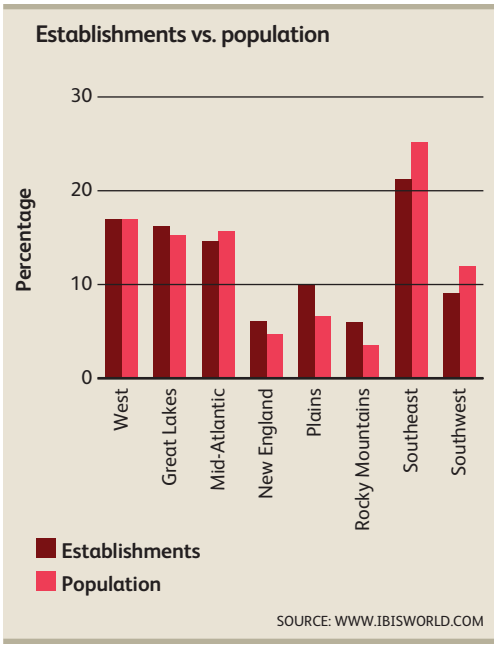
Business Locations 2011

SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

The industry is broadly distributed according to population. There is a slightly higher concentration and a greater propensity to view films in the West and Southeast regions, which include some of the largest cities. Some of the cities in these regions also have a close association with the Movie and Video Production industry. This level of geographic concentration is not expected to change in the near future.



Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Medium**

In 2011, the industry's top four players are expected to control about 49.3% of revenue, influenced by the continuing consolidation of operators. This concentration has increased from about 39.8% in 2006, because a number of the major operators purchased many small and larger operators after their release from Chapter 11 proceedings.

In January 2006, AMC completed its merger with Loews Entertainment. The latter was interested in 415 theaters with 5,672 screens across 29 states (and the District of Columbia) and 11 countries, with 24,000 staff and 250 million admissions annually. In August 2006, Cinemark acquired Century Theaters Inc., which operated 78 theaters with 994 screens in 12 western states.

The US Census Bureau's latest figures related to establishment size by employment support this concentration level. These figures indicate that the industry is divided between a large number of small establishments, but it also has some significant operators with a large number of employees. These operators are expected to increase further through 2011, due to ongoing industry consolidation.

Establishments by employment size

No. of employees	Establishments	Share (%)
1-4	920	17.9
5-9	679	13.2
10-19	1,174	22.9
20-49	1,560	30.4
50-99	649	12.7
100-249	143	2.8
250-499	4	0.1
Total	5,129	100.0

SOURCE: US CENSUS BUREAU COUNTY BUSINESS PATTERNS

More than two-thirds of establishments have between 10 and 49 employees. A significant number still have more than 100 employees; however, 30% are small operations, with nine employees or fewer.

Two operators have more than 1,000 employees. The level of industry concentration is expected to increase in the near future, due to further consolidation pressure caused by low audience and revenue growth and lower-than-expected profit margins.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to quickly adopt new technology
Industry operators need to link onto the new and latest digital visual and audio equipment to enhance audience entertainment experience and attract increasing advertising revenue.

Access to multiskilled and flexible workforce
Movie theaters must have access to a steady stream of young casual employees to cover daily, weekly and annual demand peaks and for cost considerations.

Being part of a group buying, promotion and marketing scheme
Chain operators benefit from lower managerial and overhead costs, including promotional advantages, with improved profit margins. Access to movies at lower costs can also be negotiated due to the number of screens and audience numbers.

Guaranteed supply of key inputs
Guaranteed ongoing supply of quality movies in line with local audience tastes and demands is essential to maintaining interest and loyalty.

Competitive Landscape

Key Success Factors continued

Proximity to key markets

It is important to identify key local market segments for movies to drive audience growth, and operators need to offer easy access, including parking.

Cost Structure Benchmarks

In the past, many major operators reported significant financial losses. However, the concurrent financial restructuring of a number of major operators, coupled with increasing demand and an increase in the average ticket price significantly reduced these losses. With some industry consolidation in 2007 followed by significant restructuring, the profit margin for larger operators decreased to 2.4% in 2008. The economic recession's severity and significant investments in digital and 3D technologies have led theaters to dramatically increase ticket and concessions prices, leading to a higher average industry profit of about 4.3% of revenue in 2011.

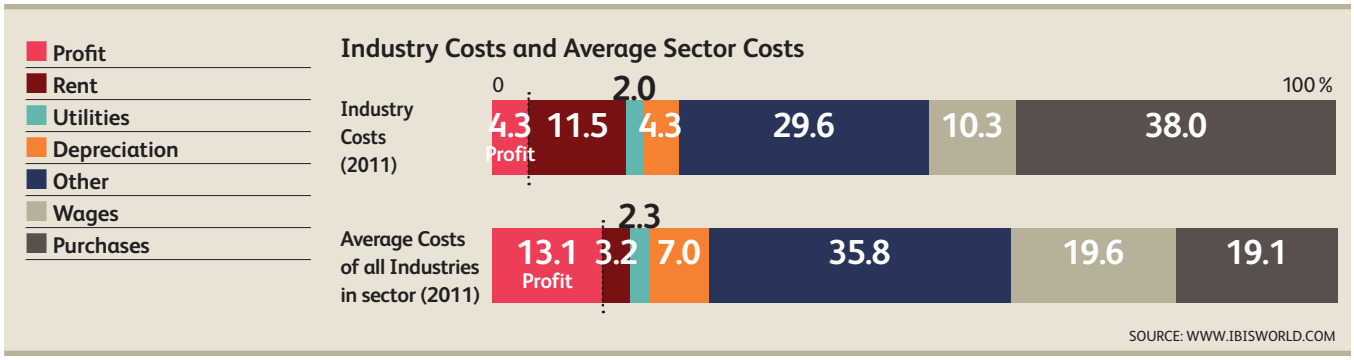
Industry operators' most significant costs include film rental, which accounts for about one-third of total revenue. These costs involve various license agreements with movie distributors and producers. Film licenses typically specify rental fees or formulas by which rental payments must be calculated. The most common formulas include the sliding scale, firm term or a review or settlement basis (see below). Other industry purchases, that add up with film rental to 38.0% of revenue, include concessions and cleaning products.

Similar to most service industries, movie theaters require significant labor input in all areas, from ticket selling to cleaning; however, film acquisition costs for screening are more significant. As such, wages account for about 10.3% of revenue.

Rent for theaters, particularly megaplexes, can be costly. The need to be located within or near a major shopping mall or other entertainment complexes relates to this factor. However, because theaters can drive foot traffic to shopping malls, operators can usually negotiate discounted rentals with these owners and managers. Other movie theater costs include marketing and are expected to add up to 29.6% of industry revenue in 2011.

Film license negotiation

The sliding scale is the most commonly used in the industry. Under this arrangement, the distributor receives a percentage of the box office receipts using a pre-determined film rental arrangement. The formula establishes film rentals, based on expected box office performance.



Competitive Landscape

Cost Structure Benchmarks continued

Under the firm term formula, prior to the exhibition of the film the exhibitor and distributor agree to a specified percentage of the box office receipts to be garnered by the distributor. Finally, under the review or settlement method, the exhibitor and distributor negotiate a percentage of the box office receipts to be collected by the distributor upon completion of screening.

The duration of film licenses are negotiated with distributors on an individual movie basis, with the terms designed around each film's actual or perceived performance. Marketable movies that are expected to gain high box office admission revenue will generally have longer license terms than movies that have more uncertain performance and popularity.

Depending on the release, the revenue sharing agreement with the distributor may begin at 55.0% of box office for the first week. It can then decline to between 25.0% and 33.0% by weeks three and five. This factor imposes a significant cost on revenue generated.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Internal competition

Industry competition includes admission prices, but it also involves access to a continuing supply of quality and first release movies that suit the particular audience being targeted. Therefore, operators must have links with movie distributors that have a strong slate of film releases.

During the recession, many operators offered reduced prices on first release movies. This trend was particularly the case for older style, independent theaters. Operators developed combined offers that included a movie ticket and discounted drinks and popcorn as part of a packaged movie deal. The location of the theater is also important, whether it is within or near a shopping center and mall (or in a complex that has a number of entertainment-related retailers) and whether it provides easy access and parking.

The quality of the theater's facilities (including digital vision and audio equipment, stadium seating in a multiplex complex) and the session times and days of the week for screenings are increasingly important for moviegoers. Most theater chains have developed a number of loyalty schemes to drive higher repeat audience participation. Others have introduced "gold-class" theaters, with limited seats and value-added offerings, but at far higher prices. While these theaters offer higher margins, they are also highly sensitive to changes in economic conditions, with demand generally subsiding during the recession.

External competition

Movie theaters currently face competition from personal computers, DVD players, home theater systems and the internet, the latter which is particularly valuable to young people. The rapid penetration of the in-home entertainment equipment into households affects industry revenue, since it leads to competition for a share of household disposable income spent on entertainment. Digital technology now provides video downloading and streaming to iPods, iPhones and iPads (or similar products), computers and even gaming consoles. This trend is exacerbated by VOD offerings by cable and satellite TV operators and the omnipresent pirating of movies.

However, there are some built-in limits to this competition. Typically, when film distributors license their products to the Movie Theaters industry, the terms of the agreement specify that they must refrain from licensing their motion pictures to these other

Competitive Landscape

Basis of Competition continued

distribution channels for a specified time period. Within the industry, this factor is termed the "theatrical release window." This window can range from about three months from release at cinemas to availability on DVD or Blu-ray, to as long as 12 months for free to air release. However, it generally takes about six months for cable and satellite TV releases and other legal video download sites.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **High** and **Increasing**

The current cost of digital screen technology and conversion is significant, and it favors large, established operators. Furthermore, significant costs are also associated with establishing multi-screen theaters with stadium seating. However, niche players in certain markets will likely still have local and regional opportunities. In particular, many older theaters are up for sale and have the potential to be converted into more successful operations through renovation, promotions and specialization.

There are also some operational barriers to entry, such as existing distribution agreements between theaters and movie distributors. Major distributors all have agreements with the major Hollywood studios, as well as with existing theaters. This barrier may not be as significant for niche or art house theater operators. Also, movies from the major distributors can tie an operator into screening a movie for a certain number of sessions per day (sometimes with session times also forming part of the agreement) and for a certain number of weeks.

Barriers to Entry checklist	Level
Competition	High
Concentration	Medium
Life Cycle Stage	Decline
Capital Intensity	High
Technology Change	High
Regulation & Policy	Light
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

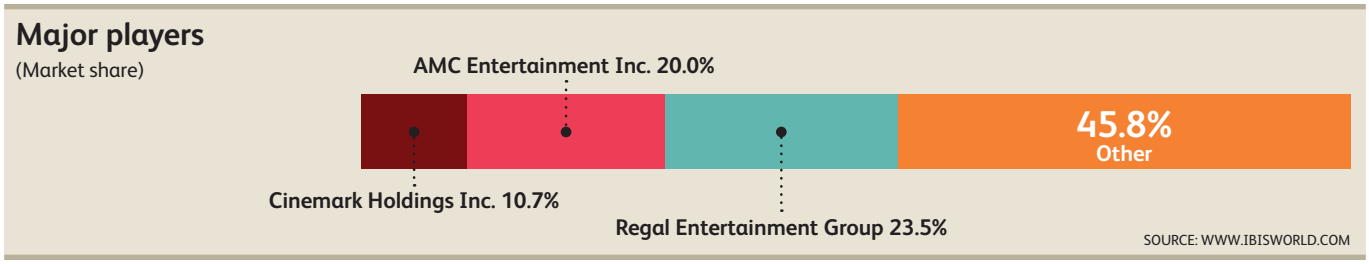
Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Increasing**

Regal Entertainment and AMC Entertainment Inc. have purchased or developed foreign theaters, either solely or in a joint venture arrangement with a local theater companies. More recently, these companies have sold some of their international interests and purchased other domestic operators to become more dominant players in the US market. However, strong national theater chains, and a lack of imports and exports in this service-based industry will continue to result in negligible globalization for this industry.

Major Companies

Regal Entertainment Group | AMC Entertainment Inc.
Cinemark Holdings Inc. | Other Companies



Player Performance

Regal Entertainment Group
Market share: 23.5 %

Industry Brand Names
Regal Cinemas
United Artists
Edwards Theaters
Regal CineMedia
Hoyts Cinemas

Regal Entertainment Group is a public company that is headquartered in Knoxville, TN. It operates 542 theaters with 6,723 screens in 37 states and Washington DC. About 80% of Regal's screens feature stadium seating and more than 85% of its theaters include more than 10 screens, with an average of 12.4 screens per location. These features enhance the company's competitive edge by cutting the costs per screen for a box office, lobby, concessions and restrooms. IBISWorld expects Regal to earn 25.4% of its 2011 revenue on concessions.

Regal's revenue is expected to increase over the five years to 2011 at an annualized rate of 2.7%. In 2011, the company will earn about $3.0 billion in revenue, which includes a year-on-year increase matching the industry growth forecast of 1.7%. The company earns a profit of 3.5% per year, which is lower than the industry average because of the investments that it is making in outfitting its theaters with new technologies and upgrades. Regal will likely continue to acquire and re-invent new theaters during this year as cash-strapped businesses look to sell.

In mid-2010, Regal acquired eight AMC theaters with a total of 106 screens for about $55.0 million in cash and an exchange for two Regal theatres that had 26 screens. The company's stake in National CineMedia declined to 19.4% in 2010. National CineMedia is a joint venture company, co-owned by Regal, AMC and Cinemark, which organizes in-theater advertising, business meetings and non-feature content distribution.

Since 2007, Regal has been involved in another venture with AMC and Cinemark called Digital Cinema Implementation Partners, LLC (DCIP). DCIP has established agreements and a financing model with major movie studios to install the equipment to make theaters capable of displaying movies in digital.

Regal Entertainment Group – financial performance

Year	Revenue ($ million)	(% change)	Net Income ($ million)	(% change)
2006	2,598	N/C	86	N/C
2007	2,661	2.4	360	318.6
2008	2,771	4.1	112	-68.9
2009	2,893	4.4	96	-14.3
2010*	2,919	0.9	102	6.3
2011*	2,969	1.7	103	1.0

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance

AMC Entertainment Inc.
Market share: 20.0 %
Industry Brand Names
Loews
General Cinema
Kerasotes

AMC Entertainment Inc. was founded in 1920 in Kansas City, MO. It is now a wholly owned subsidiary of Marquee Holdings Inc., which is owned by a group of investment funds and banks including J.P. Morgan, Apollo, Bain, Carlyle and Spectrum. AMC operates about 300 theaters with 4,500 screens, which are mostly located in urban markets in the United States and Canada.

IBISWorld estimates that 96.0% of the company's revenue is generated in the United States, which is expected to total $2.5 billion in 2011. Segment revenue grew at an annualized rate of 9.7% over the five years to 2011, including a rise of 9.1% from 2010 to 2011. Increasing revenue is a combined result of acquisitions and higher ticket prices.

Increasing ticket prices are expected to propel company profit to 29.0% of revenue in 2011. AMC has an average of 15.2 screens per theater, which is well above the industry average of 6.9. This factor allows the company to cut its costs per screen in terms of additional services such as concessions. Also, about 39.0% of the company's employees work for minimum wage, and about 66.0% are employed part-time, which keeps labor costs low.

In late 2009, AMC agreed to acquire Kerasotes ShowPlace Theaters LLC, which operated 95 theaters and 972 screens in the Midwest. These theaters were mostly newer establishments with stadium seating and other up-to date facilities. AMC paid $275.0 million for this acquisition. In late 2008, AMC sold Cinemex, which had been its link to some of AMC's foreign operations, and also disposed of other theaters and joint ventures in Asia, Europe and the Americas (excluding the United States and Canada). This disposition allowed AMC to streamline its operations and focus on domestic theaters. It heavily invested in new platforms and technologies, including in-theater dining and digital, IMAX and 3D capabilities. AMC also invested in DCIP (see Regal Entertainment Group).

In 2007, AMC Entertainment raised $20.0 million from the sale of its 9.0% share in Fandango, an online ticket provider, to Comcast. In 2006, AMC announced the completion of its merger with Loews Entertainment, which had interests in 415 theaters with 5,672 screens across 29 states and the District of Columbia and 11 countries, with 24,000 staff and 250 million admissions annually.

AMC Entertainment Inc. (US segment) – financial performance

Year*	Revenue ($ million)	(% change)	Net Income ($ million)	(% change)
2006	1,597	N/C	-183	N/C
2007	2,211	38.4	129	N/C
2008	2,240	1.3	42	-67.4
2009	2,175	-2.9	-78	N/C
2010	2,321	6.7	67	N/C
2011**	2,533	9.1	734	995.5

*Year end April; **Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance

Cinemark Holdings Inc.
Market share: 10.7 %

Cinemark Holdings Inc. is headquartered in Plano, TX. The company owns 292 theaters in 39 states in the US and another 139 theaters in 13 countries throughout Latin America. About 78.7% of Cinemark's revenue is generated in the United States, primarily in mid-sized markets such as suburbs. About 30% of company revenue is from concession sales, which have a higher margin than admissions according to the company.

Cinemark began converting from film-based to digital projection technology in 2009. It is a part of the DCIP and National CineMedia ventures with Regal and AMC (see above). It has 47 and, during 2011, expects to install another 40 XD (Extreme Digital) auditoriums, which feature wall-to-wall and ceiling-to-floor screens, wrap-around sound and maximum comfort seating. IBISWorld expects this to draw audiences seeking a quality movie-going experience and justify higher "premium" ticket prices.

Financial performance

Over the five years to 2011 Cinemark's revenue increased at an annualized rate of 8.5%. However, the company's revenue is on track to decline 14.9% in 2011 to $1.3 billion. IBISWorld expects this decline to be the result of fewer quality films released in the first part of the year, which led to lower admissions and concessions revenue. The average ticket price also declined in the first quarter of 2011 because audiences watched higher proportion of movies in 2-D as opposed to 3-D and 2-D movie tickets are cheaper.

The company did raise concession prices during this time but this did not make up for lower attendance. Cinemark's profit before interest and taxes is expected to total 20.7% of revenue in 2011. This is a decline from previous years, which is also caused by a shift away from higher margin 3-D ticket sales.

Cinemark Holdings Inc. (US segment) – financial performance

Year	Revenue ($ million)	(% change)	Net Income ($ million)	(% change)
2006	899	N/C	218	N/C
2007	1,239	37.8	310	42.2
2008	1,360	9.8	291	-6.1
2009	1,559	14.6	362	24.4
2010	1,584	1.6	363	0.3
2011*	1,349	-14.8	280	-22.9

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Other Companies

Carmike Cinemas Inc.

Estimated market share: 4.1 %

Carmike Cinemas Inc. owns about 244 theaters with 2,277 screens in 35 states. The company converted its theaters to digital platforms at a quick pace; over 95% of its screens are expected to be digitally compatible by 2011. Carmike targets small to mid-size non-urban markets to save on operating costs, such as rent and utilities, and to avoid a highly competitive environment where there are many forms of entertainment. Additionally, the company sometimes

Major Companies

Other Companies continued

converts its theaters to discount theaters in order to draw in audiences that prefer lower-cost films; therefore, it saves money by showing second- or third-run movies.

Carmike's revenue is estimated to grow at an annualized rate of 1.8% over the five years to 2011. From 2010 to 2011, it is expected to grow along with the industry at a rate of 1.8% to $523.0 million. The company is currently operating at a loss because it is regularly acquiring unprofitable theaters and converting them as part of its business model. Carmike also continues to invest in digital and 3D technologies, so that it can compete with other theaters.

Carmike Cinemas Inc. – financial performance

Year	Revenue ($ million)	(% change)	Net Income ($ million)	(% change)
2006	478	N/C	-19	N/C
2007	482	0.8	-127	568.4
2008	473	-1.9	-41	-67.7
2009	515	8.9	-15	-63.4
2010*	514	-0.2	-7	-53.3
2011*	523	1.8	-7	N/C

*Estimate

SOURCE: ANNUAL REPORT AND IBISWORLD

Operating Conditions

Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

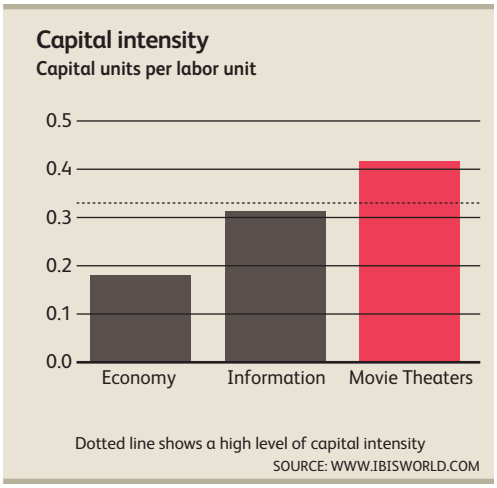
Capital Intensity

Level
The level of capital intensity required is **High**

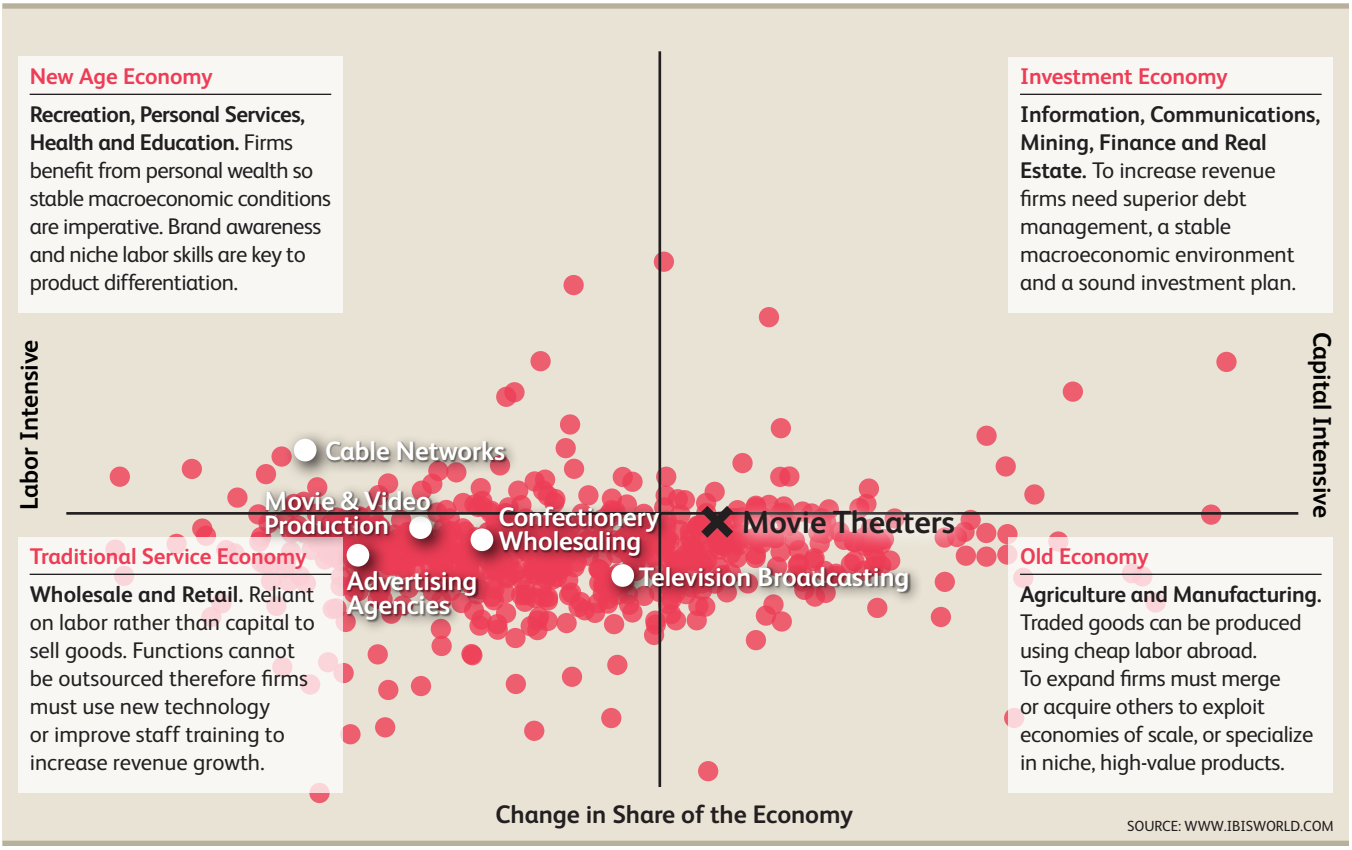
Since 2009 cinemas are installing new and enhanced digital auditoriums, including IMAX and 3D screens, speakers and projectors. This has increased the capital intensity of the industry, particularly for the major players that have the means to replace or expand their theaters. Consequently, for every dollar the industry spends on wages, about $0.42 is spent on using and replacing buildings and equipment in 2011.

Investment trends

The Movie Theaters industry continues to invest in and convert from a totally film-based medium to an electronic one, which includes film distribution in digital format rather than in 35 mm film. This factor enables all content, including



Tools of the Trade: Growth Strategies for Success



Operating Conditions

Capital Intensity continued

advertising, to be exhibited digitally, creating an enhanced presentation of vision and sound. Advertising revenue has the potential to increase due to greater presentation and quality of material. It also results in enhanced capability for digital 3D and IMAX film formats, which are both popular with current audiences.

The industry has also been investing in megaplex formats that have between 10 and 18 screens at each location and feature stadium seating. This format allows for greater flexibility and potential revenue relating to film screening times and better aligning theater size, in terms of seating capacity, to film demand.

Labor content

The industry still requires a high level of labor input in all areas of patron servicing, from ticket selling (though internet sales are rising), concessions selling, theater cleaning after each session, security and information.

Major operators have a high proportion of young, part-time and casual employees to cover varying demand over the day, week or year and for lower wage cost considerations. However, labor costs are contained by assigning multiple tasks to employees and on-the-job training. This includes assigning multiple responsibilities of ticket sales and concessions and theater cleaning activities, as patron demand requires.

Technology & Systems

Level
The level of Technology Change is **High**

Since the mid-1990s, the most significant change in this industry has been the investment in multiplexes and megaplexes. However, another major change that recently occurred involves the introduction of digital visual and audio equipment. Operators now face the prospect of movie distribution to theaters via video streaming through satellite or broadband, significantly reducing film distribution costs and piracy. While this technology is still very expensive (up to $150,000 per screen) most theaters now have it. Flat screens in foyers, which offer quality previews of films and advertising, are also appearing. In December 2005, Carmike Cinemas announced that it would install 2,300 digital cinema projection systems, using 2K DCI-compliant DLP Cinema projectors, throughout the United States. In 2007, it installed these systems, and most major operators did similarly over the same period. According to the MPAA, at the end of 2007, a total of 6,455 digital screens were installed in theaters globally, with 72.0% (or 4,648) available in the United States. Some major operators are also signing agreements with major cable distributors to supply better-quality short films to screen before the main feature.

Movie theaters have also introduced touch screen cinema ticketing machines that use Windows-based software. These systems also provide scheduling and financial reporting components. Staff only need limited training to operate the systems. Debit and credit card facilities for payment are also becoming available. Self-service ticketing machines have been introduced, together with automated phone booking service and reserved seating for popular sessions. Domestically, some cinemas have introduced touch screens for patrons to view trailers prior to booking.

All major operators now provide information on films, sessions and previews on the internet and phone information lines. Because of the increased use of this technology, operators are reducing advertising of sessions in newspapers. Movie theaters offer ticket sales over the internet as well; customers can print tickets on their own

Operating Conditions

Technology & Systems continued

printers or collect them in theater foyers without waiting. In October 2005, Carmike Cinemas signed an agreement with Fandango to provide online and phone movie ticketing services. Eastman Kodak introduced its Screencheck Experience program, which monitors and improves projection in theaters. More recently, the introduction of digital technology in theaters has allowed for 3D and IMAX film screenings, which are proving to be popular with moviegoers. The slate of new 3D releases from film producers is supporting this trend.

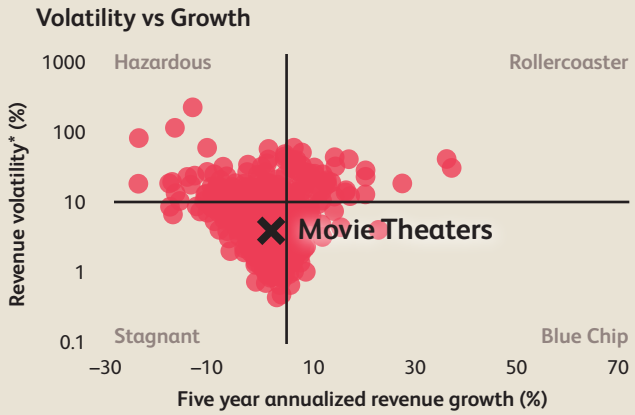
Revenue Volatility

Level
The level of Volatility is **Medium**

This industry is moderately volatile because of fluctuating consumer spending in theaters, changing prices and an uncertainty in the quality and quantity of movie releases. A steep decline in disposable income caused a drastic decrease in discretionary spending on items such as movie tickets or concessions in 2008 and 2009. Simultaneously, the financial backing of many movies became uncertain when the stock market dropped off during the mortgage crisis. These dual phenomena caused a slower supply of movies just as people became hesitant to spend money on tickets in the first place. To offset some of the recent revenue volatility caused by fluctuations in audience numbers and growth the industry is charging higher prices. Growth is forecast in theater attendance and spending in the five years to 2016 as consumers and financial backers regain interest in movie going and in funding movies.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Regulation & Policy

Level & Trend
The level of Regulation is **Light** and the trend is **Steady**

The main regulation for the industry involves adhering to the movie's classification for audience admission in terms of ticket selling. Since November 1, 1968, the Motion Picture Association of America and the National Association of Theater Owners have rated films on a voluntary basis. Nonetheless there is little to no enforced regulation of move theaters, even with regards to showing R rated films to minors.

Industry Assistance

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

The industry receives no government assistance.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Movie Screens
2002	13,191.5	2,823.4	5,198	2,129	134,055	--	--	1,631.8	N/A	35,688
2003	13,279.3	3,052.4	5,110	2,079	136,005	--	--	1,804.2	N/A	35,650
2004	12,947.1	2,973.3	5,029	2,120	134,911	--	--	1,536.2	N/A	36,435
2005	12,094.5	2,737.5	5,129	2,111	133,981	--	--	1,443.4	N/A	37,688
2006	12,137.8	2,363.2	5,049	2,120	134,522	--	--	1,392.2	N/A	38,415
2007	11,939.8	2,215.6	4,606	1,977	124,476	--	--	1,379.8	N/A	38,794
2008	11,822.1	2,157.5	4,557	1,999	124,908	--	--	1,377.2	N/A	38,834
2009	12,423.1	2,284.9	4,168	1,969	122,083	--	--	1,328.3	N/A	39,233
2010	12,433.7	2,337.4	3,954	1,928	118,637	--	--	1,305.4	N/A	39,866
2011	**12,645.0**	**2,391.1**	**4,014**	**1,896**	**115,802**	**--**	**--**	**1,303.6**	**N/A**	**40,471**
2012	12,852.1	2,414.8	4,024	1,914	115,995	--	--	1,301.0	N/A	N/A
2013	12,552.2	2,384.2	3,774	1,832	110,159	--	--	1,261.0	N/A	N/A
2014	12,915.6	2,452.2	3,674	1,833	109,411	--	--	1,287.7	N/A	N/A
2015	13,308.3	2,484.2	3,581	1,837	108,821	--	--	1,316.8	N/A	N/A
2016	13,613.4	2,547.1	3,466	1,828	107,448	--	--	1,336.8	N/A	N/A
Sector Rank	**21/32**	**23/32**	**15/32**	**15/32**	**10/32**	**N/A**	**N/A**	**23/32**	**N/A**	**N/A**
Economy Rank	**429/699**	**528/699**	**378/698**	**425/698**	**262/699**	**N/A**	**N/A**	**503/699**	**N/A**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Movie Screens (%)
2003	0.7	8.1	-1.7	-2.3	1.5	N/A	N/A	10.6	N/A	-0.1
2004	-2.5	-2.6	-1.6	2.0	-0.8	N/A	N/A	-14.9	N/A	2.2
2005	-6.6	-7.9	2.0	-0.4	-0.7	N/A	N/A	-6.0	N/A	3.4
2006	0.4	-13.7	-1.6	0.4	0.4	N/A	N/A	-3.5	N/A	1.9
2007	-1.6	-6.2	-8.8	-6.7	-7.5	N/A	N/A	-0.9	N/A	1.0
2008	-1.0	-2.6	-1.1	1.1	0.3	N/A	N/A	-0.2	N/A	0.1
2009	5.1	5.9	-8.5	-1.5	-2.3	N/A	N/A	-3.6	N/A	1.0
2010	0.1	2.3	-5.1	-2.1	-2.8	N/A	N/A	-1.7	N/A	1.6
2011	**1.7**	**2.3**	**1.5**	**-1.7**	**-2.4**	**N/A**	**N/A**	**-0.1**	**N/A**	**1.5**
2012	1.6	1.0	0.2	0.9	0.2	N/A	N/A	-0.2	N/A	N/A
2013	-2.3	-1.3	-6.2	-4.3	-5.0	N/A	N/A	-3.1	N/A	N/A
2014	2.9	2.9	-2.6	0.1	-0.7	N/A	N/A	2.1	N/A	N/A
2015	3.0	1.3	-2.5	0.2	-0.5	N/A	N/A	2.3	N/A	N/A
2016	2.3	2.5	-3.2	-0.5	-1.3	N/A	N/A	1.5	N/A	N/A
Sector Rank	**18/32**	**19/32**	**8/32**	**15/32**	**23/32**	**N/A**	**N/A**	**21/32**	**N/A**	**N/A**
Economy Rank	**477/699**	**427/699**	**187/698**	**557/698**	**649/699**	**N/A**	**N/A**	**549/699**	**N/A**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2002	21.40	N/A	N/A	98.40	12.37	25.79	12,172.62	0.02
2003	22.99	N/A	N/A	97.64	13.59	26.62	13,265.69	0.03
2004	22.96	N/A	N/A	95.97	11.87	26.83	11,386.77	0.02
2005	22.63	N/A	N/A	90.27	11.93	26.12	10,773.17	0.02
2006	19.47	N/A	N/A	90.23	11.47	26.64	10,349.24	0.02
2007	18.56	N/A	N/A	95.92	11.56	27.02	11,084.87	0.02
2008	18.25	N/A	N/A	94.65	11.65	27.41	11,025.71	0.02
2009	18.39	N/A	N/A	101.76	10.69	29.29	10,880.30	0.02
2010	18.80	N/A	N/A	104.80	10.50	30.00	11,003.31	0.02
2011	**18.91**	**N/A**	**N/A**	**109.20**	**10.31**	**28.85**	**11,257.15**	**0.02**
2012	18.79	N/A	N/A	110.80	10.12	28.83	11,216.00	0.02
2013	18.99	N/A	N/A	113.95	10.05	29.19	11,447.09	0.02
2014	18.99	N/A	N/A	118.05	9.97	29.78	11,769.38	0.02
2015	18.67	N/A	N/A	122.30	9.89	30.39	12,100.61	0.02
2016	18.71	N/A	N/A	126.70	9.82	31.00	12,441.37	0.02
Sector Rank	**32/32**	**N/A**	**N/A**	**31/32**	**29/32**	**9/32**	**32/32**	**23/32**
Economy Rank	**571/699**	**N/A**	**N/A**	**550/699**	**534/699**	**215/698**	**682/699**	**528/699**

Figures are inflation-adjusted 2011 dollars. Rank refers to 2011 data.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

BLOCKBUSTER A successful movie.

BOX OFFICE Ticket sales revenue only.

CONCESSIONS Food or drink sales.

STREAMING VIDEO Motion picture content that can be viewed in real time online.

VIDEO ON DEMAND (VOD) An interactive TV technology that allows subscribers to watch programming in real time or download programs and view them later.

IBISWorld Glossary

BARRIERS TO ENTRY Barriers to entry can be High, Medium or Low. High means new companies struggle to enter an industry, while Low means it is easy for a firm to enter an industry.

CAPITAL/LABOR INTENSITY An indicator of how much capital is used in production as opposed to labor. Level is stated as High, Medium or Low. High is a ratio of less than $3 of wage costs for every $1 of depreciation; Medium is $3 – $8 of wage costs to $1 of depreciation; Low is greater than $8 of wage costs for every $1 of depreciation.

DOMESTIC DEMAND The use of goods and services within the US; the sum of imports and domestic production minus exports.

EARNINGS BEFORE INTEREST AND TAX (EBIT) IBISWorld uses EBIT as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding tax and interest.

EMPLOYMENT The number of working proprietors, partners, permanent, part-time, temporary and casual employees, and managerial and executive employees.

ENTERPRISE A division that is separately managed and keeps management accounts. The most relevant measure of the number of firms in an industry.

ESTABLISHMENT The smallest type of accounting unit within an Enterprise; usually consists of one or more locations in a state or territory of the country in which it operates.

EXPORTS The total sales and transfers of goods produced by an industry that are exported.

IMPORTS The value of goods and services imported with the amount payable to non-residents.

INDUSTRY CONCENTRATION IBISWorld bases concentration on the top four firms. Concentration is identified as High, Medium or Low. High means the top four players account for over 70% of revenue; Medium is 40–70% of revenue; Low is less than 40%.

INDUSTRY REVENUE The total sales revenue of the industry, including sales (exclusive of excise and sales tax) of goods and services; plus transfers to other firms of the same business; plus subsidies on production; plus all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); plus capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED The market value of goods and services produced by an industry minus the cost of goods and services used in the production process, which leaves the gross product of the industry (also called its Value Added).

INTERNATIONAL TRADE The level is determined by: Exports/Revenue: Low is 0–5%; Medium is 5–20%; High is over 20%. Imports/Domestic Demand: Low is 0–5%; Medium is 5–35%; and High is over 35%.

LIFE CYCLE All industries go through periods of Growth, Maturity and Decline. An average life cycle lasts 70 years. Maturity is the longest stage at 40 years with Growth and Decline at 15 years each.

NON-EMPLOYING ESTABLISHMENT Businesses with no paid employment and payroll are known as non-employing establishments. These are mostly set-up by self employed individuals.

VOLATILITY The level of volatility is determined by the percentage change in revenue over the past five years. Volatility levels: Very High is greater than ±20%; High Volatility is between ±10% and ±20%; Moderate Volatility is between ±3% and ±10%; and Low Volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees of the establishment.